ORIGINAL

OPEN MEETING AGENDA ITEM

#T-20737A-10-0144

Brenda Burns

From: Lloyd D. [redacted]
ent: Wednesday, November 30, 2011 5:11 PM
To: Janice Alward; Ernest Johnson; Steven Olea; Gary Pierce; Brenda Burns
Subject: Crexendo Application - Letter to Review Before Hearing Tomorrow Dec. 1, 2011
Attachments: 2011 11 30 - Letter to AZ Commission re Crexendo Application.pdf

Importance: High

Dear Commissioners,

Attached is a letter I wrote today regarding the Crexendo application.

I am an attorney licensed in Utah that has had much dealings with Crexendo.

I am on the road now and just found out about the change in the meeting to tomorrow, December 1, 2011. Accordingly, it was all I could do to stop and write this letter.

Thank you for your attention. I will follow this letter up with more attachments and information.

I would appreciate a confirmation email showing you received this.

Thank you so much.

-Lloyd D. Rickenbach

Attorney at Law

November 30, 2011

Via Email

Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
Tel: 602-542-2237
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Re: Essential New and Undisclosed Information Related to Crexendo's Application for Certificate of Convenience and Necessity

Dear Commissioners:

The purpose of this letter is to inform the commission regarding important previously undisclosed and very relevant facts in the matter of the *Crexendo Business Solutions, Inc. (T-20737A-10-0144) - Application for Approval of a Certificate of Convenience and Necessity (CC&N) to Provide Resold Long Distance, Resold Local Exchange and Facilities-Based Local Exchange Telecommunications Services in Arizona,* which is to be decided in the Open Meeting on

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December 1, 2011.[1] These facts deal with the truthfulness of the responses and sworn answers provided by Crexendo in furtherance of its attempt to secure approval of the CC&N Certificate. Because these facts were not included and put before Administrative Law Judge Yvette B. Kinsey, the findings in her November 14, 2011 *Opinion and Order* may be incorrect as they lacked a complete record of information.

The information not previously provided to the Commision involves Crexendo's response to the A-12 question in the application—or as Judge Kinsey stated, "[Crexendo's] ability to disclose pertinent information to the Commission."[2]

Also, please note that all information provided is in the public domain. I obtained this information through doing a more thorough due diligence as I am the attorney presently representing a company that is currently in litigation with Storesonline. Therefore, the information provided is not my opinion or something I created. It is just facts.

CREXENDO'S ANSWERS REGARDING LITIGATION WENT FROM "NO LITIGATION OR INVESTIGATIONS" AND WHEN PRESSED ON THE MATTER TO SOME LITIGATION AND THAT ALL THAT LITIGATION WAS RESOLVED. THIS IS INCORRECT.

The application Crexendo filled out through its Chief Legal Counsel, Jeffery Korn, at question A-12 asked if the applicant had involvement in "any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted within the last ten years." The question goes on to ask the applicant to provide a detailed description of the judgments or convictions and in so doing to provide information about such including: (1) the states involved, (2) the reasons for the investigation or the judgment; and (3) a copy of the court order.

Crexendo's response to A-12 evolved.

CREXENDO'S 1ST RESPONSE TO A-12: **Zero Involvement**
CREXENDO'S 2ND RESPONSE TO A-12: **Fourteen Settlements or Judgments.** *This did not include the debarment pointed out by the Staff either.* In Crexendo's 2nd response it provided a sworn statement from its Chief Legal Officer explaining the wrong answer of zero changing to fourteen because he failed to understand the question correctly. Mr. Korn went on, in the attitude of "full disclosure" to provide a "Litigation Summary.[3]

NOTE: The "Litigation Summary" provided after prodding by the Arizona Staff was still incomplete. It was incomplete for two reasons: (1) it did not include any "copy of the Court order" as specifically and expressly required by question A-12; and (2) because it omitted other investigations and judgments/settlements/litigation that Crexendo/Imergent/Storesonline was involved in during the past ten years.

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1 *See* http://www.azcc.gov/Divisions/Administration/Meetings/Agendas/2011/12-1-11open%20meeting%20agenda.revised.pdf

2 Opinion and Order at ¶62.

3 *Id.* ¶47.

The cases that Korn failed to include in the "Litigation Summary" total nine. These nine instances are included in the attached document entitled "Imergent/Storesonline: Litigation and Settlements." As you will see the orange highlighted rows indicate matters that Crexendo failed to include and ever produce and divulge to the Staff, counsel, the Administrative Law, Judge, and this Commission.

The matters that Mr. Korn omitted include:

1) In the Matter of Storesonline (Maine) (2003)
2) In the Matter of Storesonline (Maine) (June 2004)
3) In the Matter of Storesonline (Maine) (September 2004)
4) Securities and Exchange Commission ("SEC") investigation of Imergent
5) *Firestone v. Imergent* – a large class-action lawsuit brought by Imergent shareholders against Imergent that resulted in Imergent being liable to pay $3,300,000.
6) *Lyle Hill v. Imergent, Storesonline, GalaxyMall,* a class-action suit brought by customers against Imergent resulting Imergent being liable for paying $8,189,500.
7) *North Carolina v. Imergent and StoresOnline* – While Crexendo did reference North Carolina bringing an action against it (a major reason, if not the reason, why South Carolina denied Crexendo's application)[4] Imergent failed to mention that in 2009 it was held found to be in contempt of court for failing to comply with the settlement agreement it entered into with North Carolina.
8) *Information Technology Customer Care Inc.*, v. *Storesonline*[5]; and
9) *Josiane Hird v. Imergent, Steven G. Mihaylo, et. al.* – this is a case in New York Federal Court from a Imergent customer.

As you likely already noted, all of these cases and investigations—those that Korn included and those that he left out even after swearing under oath that it was a mistake because he didn't understand the question and that now he's made it all right by putting every matter in the "Litigation Summary"—all of the cases involve deceptive business practices. The amount the Imergent paid out on these cases (at least which is public) appears to total over $16,255,000.

Also, it is noteworthy to see that two of the cases that Crexendo omitted and has not yet discussed or referenced were the largest cases against it. These were the two class action lawsuits. Imergent was liable for more than $10 million on those two cases alone. Mr. Korn was the in-house attorney at the time for both of those cases. His omission of those two cases when viewed with the other many cases and judgments he omitted and swore to, appears to be troubling.

But, Korn's omission may be due to his memory. Apparently, he testified that "he had forgotten about" South Carolina denying Crexendo's application and his forgetting it was the

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[4] *Id.* ¶52.

[5] NOTE: I represent the plaintiff ITCCI in this case. It is through this representation and investigation of the opponent that I came across this Crexendo application to Arizona and Arizona's docket on this matter.

reason why he failed to mention that to the Staff or this Commission until it was pointed out to him.[6]

I cannot know why Crexendo failed to answer A-12 completely and forthrightly the first time ... or the second time, or even still, but Crexendo has not answered the question completely yet. What makes this mystery even more eye-opening is the fact that not only has Crexendo already been denied an application by one state already on this very issue (South Carolina), but Crexendo in applying for similar licenses in three other states that ask the same question as A-12 (or nearly identical), on each of those questions, Mr. Korn stated that Crexendo had no involvement. Those three states where Crexendo denied any litigation, judgments, settlements, investigations for the last ten years are:

1) Maryland
2) New Jersey
3) New Hampshire

NOTE: *A copy of Crexendo's applications for these states, which includes the question and Crexendo's answer of zero are included as attachments to this letter.*

Crexendo's failure to rectify the situation it created in Arizona with A-12 and then to not follow-through with the other states that ask the same type of questions (not to mention several state applications besides the three listed specifically ask if the applicant has ever been denied by another state to which Crexendo's never responded yes or updated its response) as admonished by the Staff and this Commission raises real questions.

Before I close this letter, there are few things that also must be cleared up. These are matters that the Court apparently relied upon in the *Opinion and Order* as they seem to be somewhat unchallenged testimony from Crexendo. I will quickly address those issues now:

Opinion and Order at ¶47: According to Crexendo's witness, due to StoresOnline's fast growth, the level of customer service was unable to keep up with sales.	This is not true. StoresOnline received awards for its high quality customer service from the most prestigious testers in the land: JD Powers.[7] The reasons for the plethora of lawsuits and investigations against StoresOnline is quickly evident after reviewing one or two of the complaints, or settlements, or judgments against StoresOnline. All of the complaints involve consumer protection laws that prohibit deceptive or misleading sales tactics.
Opinion and Order at ¶47: Based on the evidence, Storesonline was sued in 14 jurisdictions related to false	As seen above, SOL was sued significantly more times than just fourteen times in fourteen jurisdictions. My count is that the total number is

6 *See, Opinion and Order at ¶53.*

7 *See* Press Release from StoresOnline http://www.storesonlinepro.com/page/1307011 And another press release for another award for customer service – the highest in the country for 2007 (http://ir.issuerdirect.com/exe/read_press_release/1661)

and misleading statements made during its seminars.	closer to 23 than it is to 14.
Opinion and Order ¶65 Staff's review of the application confirms that the lawsuits involving Storesonline have been resolved.	As shown above and in the attached documentation, there are still ongoing lawsuits involving StoresOnline. Moreover, as shown in the documents, in one case that StoresOnline already lost, Mr. Mihaylo was personally listed as a Defendant. *See, e.g., Josiane Hird v. Imergent, Mihaylo, et. al.* Moreover, the case of *ITCCI v. StoresOnline,* is ongoing and involves very serious issues that include very serious ramifications if ITCCI proves its allegations to be correct.
Opinion and Order ¶51 Crexendo's witness stated that under the leadership of Mr. Mihaylo, Storesonline has not had any substantive complaints in the last five years.	Mr. Mihaylo started November of 2008 replacing Donald Danks as CEO of Imergent after an investigation found Mr. Danks guilty of violating the insider trading laws/regulations. Thus, while Crexendo implies that has been the leader of Storesonline for five years—the truth is he has only been its CEO for just three years. And besides, since his leadership began, StoresOnline and Imergent continued to be the target for litigation and settling with attorney generals. Imergent was found to be in contempt of court in North Carolina for not paying its settlement; Imergent (with Mihaylo named individually) lost in New York litigation, got sued by the Australian Competition and Consumer Commission, the State of Washington, Information Technology Customer Care, Inc., etc.

In conclusion, Crexendo's application for an Arizona CC&N has been thorough and trusting. It trusted that the second answer from Crexendo and its Chief Legal Officer Jeffery Korn would be complete and forthright. Yet, Mr. Korn's statements have been continuously evasive and misleading. This is evident from the pattern that emerges when looking at the totality of Crexendo's application from the application through the multiple responses to Staff's requests, to the August 25, 2011 hearing, and even now—Crexendo has chosen to not be forthright in seeking its CC&N:

1. **April13, 2010** ::.. Application by Crexendo's Korn: *No involvement with litigation.*
2. **July 6, 2010** ::.. Crexendo's Application to New Hampshire

2. History of Applicant	
a. Has the applicant, or have any of the general partners, corporate officers, director of the company, limited liability company managers or officers been convicted of any felony not annulled by a court?	No
b. In the past ten years, has the applicant, or have any of the general partners, corporate officers, director of the company, limited liability company managers or officers had any civil, criminal or regulatory sanctions or penalties imposed pursuant to any state or federal consumer protection law or regulation?	No
c. In the past ten years, has the applicant, or have any of the general partners, corporate officers, director of the company, limited liability company managers or officers settled any civil, criminal or regulatory investigation or complaint involving any state or federal consumer protection law or regulation?	No
d. Is the applicant, or are any of the general partners, corporate officers, director of the company, limited liability company managers or officers currently the subject of any pending civil, criminal or regulatory investigation or complaint involving any state or federal consumer protection law or regulation?	No
e. Has the applicant, or have any of the general partners, corporate officers, director of the company, limited liability company managers or officers been denied certification in any other state.	
If so, please list each state.	No

3. **Nov. 10, 2010** ::.. Crexendo's response to Staff's First Set of Requests
4. **Nov. 2010** ::.. South Carolina denies Crexendo application
5. **Feb. 14, 2011** ::.. Crexendo's application to Maryland at p. 3:

4. Investigations and Bankruptcy: Indicate whether the Company has ever had any investigations by State or Federal regulatory authorities, or any bankruptcy. If so, include explanation and final order.	Applicant has not been the subject of any investigations by State or Federal regulatory authorities. The company has not been the subject of any bankruptcy proceedings.

6. **May 25, 2011** ::.. Korn's Affidavit to Arizona explaining previous answers
7. **Aug. 25, 2011** ::.. Continued story through the evidentiary hearing
8. **Nov. 8, 2011** ::.. ITCCI gives warning and notice to Crexendo (imergent/storesonline) that its responses to AZ were deficient and omitted allowing Crexendo yet one more opportunity to rectify its omissions.
9. **Present** ::.. Crexendo's Executives, Korn (employed by the company since 2002) and other executives fail to provide complete answers and rectify their sworn and under oath statements.

The pattern is clear: The Opinion and Order that did not follow the conclusion of the Staff to deny Crexendo's application was based on partial and incomplete information and testimony. Crexendo could have provided this information and evidence being forthright and complete in its response. Crexendo received at least three opportunities to come clean. Despite these opportunities, Crexendo did not come clean and stuck with its lame story of misunderstanding the question and then providing more self-serving responses, failing to report South Carolina's denial, failing to respond to other State's applications forthrightly, etc. Based on this, the Commission cannot follow Judge Kinsey's Opinion and Order. This leaves two options: One, remand to the Judge for further review and consideration. Secondly, deny Crexendo's application.

Thank you for your time and attention. Should you have any questions or concerns, please email me at lloyd@rickenbachlaw.com.

Sincerely,

Lloyd D. Rickenbach

Imergent / Storesonline
Litigation and Settlements
(note Orange = never disclosed by Crexendo)

Date	Litigation	Document	Amount Imergent Paid
6/24/2003	Maine (Office of Securities), *In the Matter of Storesonline*	CONSENT AGREEMENT, NOS. 03-039-CAG, 03-047-CAG, 03-117-CAG	
6/24/2004	Maine (Office of Securities), In the Matter of Storesonline	Consent Agreement 04-084-CAG	$ 14,693.00
9/14/2004	Maine (Office of Securities), In the Matter of Storesonline	Consent Agreement 05-001-CAG	$ 13,833.00
11-Aug-05	*Texas v. Imergent, Inc., Storesonline, f/k/a Galaxy Mall, Brandon Lewis (COO) and Donald Danks (CEO)*, No. 2005 CI 02791 (Bexar County 57th Judicial District)	Final Judgment and Agreed Permanent Injunction (November 28, 2005) and TX AG Press Release	$ 400,000.00
24-Oct-05	SEC notifies Imergent with a formal order of investigation to the company re acounting practices.		-
14-Sep-06	*California v. Imergent, Storesonline, and Galaxy Mall* (Civ 243317 in Superior Court of California, County of Ventura)	Stipulated Final Judgment and Permanent Injunction	$ 550,000.00
28-Feb-07	Florida AG issues release re "an active public-consumer related investigation" of Storesonline		
19-Mar-07	*Indiana v. Imergent and Storesonline* Case Number 490070601PL001792	Consent Judgment	$ 30,000.00
30-May-07	Utah Division of Consumer Protection v. Imergent and Storesonline	Demand against Imergent to cease operations in Utah until the company registers as a "business opportunity seller"	
30-Aug-07	*California v. Imergent, Storesonline, and Galaxy Mall*	Preliminary Injunction Against StoresOnline/Imergent (NOTE: I do not have a copy of this)	
19-Sep-07	*Firestone v. Imergent* (Class Action by shareholders for CEO insider trading, started in 2005)	Class Action: Complaint for Violation of the Federal Securities Laws (2005); Settled on September 19, 2007.	$ 2,800,000.00
25-Oct-07	Utah Division of Consumer Protection v. Imergent and Storesonline	Imergent Reaches Agreement with the Utah Division of Consumer Protection (Press Release)	
26-Oct-07	Louisiana Consumer Protection Section	Assurance of Voluntary Compliance (NOTE: I do not have this document)	$ 75,000.00

18-Jan-08	*Florida, Office of Attorney General v. Imergent and Storesonline*	Complaint for damages on behalf of consumers pursuant to Florida's Deceptive and Unfair Trade Practices Act	
7-Feb-08	*Lyle Hill v. Imergent, Storesonline, GalaxyMall* (Class Action by SOL Customers) (Case No. 11 434 00318 08)	Complaint filed on Feb 7, 2008; Arbitration Complaint (Dec 2008)	$ 8,189,500.00
1-Apr-08	*Connecticut v. Storesonline*	Final Judgment of Stipulation	$ 130,000.00
19-May-08	*Wisconsin Dept of Justice v. Imergent and Storesonline*	Wisconsin Dept of Justice filed and settled a consumer protection lawsuit against Imergent and SOL for violating WI law by failing to identify StoresOnline as the entity offering the products and services, instead using fictitious names and for failure to disclose that the seminars were to sell internet related software and services	$ 50,000.00
28-May-08	*Oregon v. Imergent and Storesonline*	Settlement for violation of Oregon's Unlawful Trade Practice's Act Assurance of Voluntary Compliance	$ 63,000.00
2-Jul-08	*Illinois (Consumer Fraud Bureau) v. Imergent and Storesonline*	"Chicago – Attorney General Lisa Madigan today announced a $405,000 settlement with StoresOnline, Inc. and Galaxy Mall, Inc., two Utah-basedcompanies that offered assistance in establishing online business ventures butfailed to fully provide the assistance they promised. The monetary settlementwill provide refunds to the aspiring business owners who expected to receivetechnical support, special payment mechanisms, and training courses to fullysucceed at launching an online business." (see press release)	$ 405,000.00
6-Aug-08	*North Carolina v. Imergent and Storesonline*	"Consent Judgment (StoresOnline and iMergent claimed to help people choose a product to sell on the Internet, set a web site for the business and thenmarket the product. The companies' promotional mailings said thatprevious customers had used their services to start businesses thatearned thousands of dollars a month and up to $280,000 ayear. iMergent and StoresOnline pitched their products and servicesas easy to use and set up even if consumers had little or nocomputer experience. They held sales presentations or workshopsacross the state urging consumers to sign up for the service, at acost of $2,700 for three web sites or $5,900 for six, plus a monthlyhosting fee of $24.95 per web site." (see press release)	
26-Aug-08	*Florida v. Imergent and Storesonline*	Settlement Agreement	$375,000
18-Mar-09	*California v. Imergent and Storesonline*	Stipulated Final Judgment	$ 850,000.00

1-Jul-09	FTC names North Carolina's actions against Storesonline as part of "Operation Short Change" - "a national sweep targeting scams that rip off struggling customers"	COOPER JOINS NATIONAL CRACKDOWN ON SCAMMERSGETTING RICH AT YOUR EXPENSE - NC AG and federal officials announce Operation Short Change (Press Release)	
6-Aug-09	*Washington v. Imergent and Storesonline*	Consent Decree	$ 175,000.00
13-Aug-09	*North Carolina v. Imergent and Storesonline* -- violation of August 2008 consent judgment	North Carolina Business Court Judge Ben F. Tennille issued a contempt order stating that iMergent and StoresOnlinefailed to comply with the 2008 consent judgment because theyhave not provided refunds to 221 North Carolina consumers who filedrefund applications with the Attorney General's Consumer ProtectionDivision. Cooper's office received 319 qualifying refund applicationsbut only 98 of those consumers have received refunds. The ordersets a deadline of the end of August for iMergent and StoresOnlineto either provide refunds or dispute refund amounts. (from Press Release)	*included below*
Jan-2009	*Information Technology Customer Care Inc. v. Storesonline*, Utah Fourth Judicial District (Provo, Case No. 090401169)	This case is an ongoing serious contract and torts case. This case is ongoing. Plaintiff was the first outsourced customer support provider for SOL/Crexendo. Their relationship ended in dispute and culminated in this contract. ITCCI's contract claims are for money it claims SOL owes for services rendered. The tort claims allege civil conspiracy in that Imergent conspired with ITCCI's management and employees to sink ITCCI.	
11-Jan-10	*Josiane Hird v. Imergent, Steven G. Mihaylo, Clint Sanderson, Brandon B. Lewis, Robert M. Lewis, Donald L. Danks, et. al.* (US District Court of Southern District of New York - 10 Civ. 166)	Memorandum Opinion and Order (Sept. 9, 2011) Complaint filed on Jan 10, 2011	$ 11,000.00
May-10	Australia - second action brought by the *Australian Competition and Consumer Commsission v. Storesonline*	Federal Court declares StoresOnline misled consumers (press release)	$ 823,000.00
2-Mar-11	North Carolina Joins FTC in Nationwide Crackdown on Business Opportunity Rip Offs -- OPERATION EMPTY PROMISES	**"StoresOnline and iMergent** -- sell software that the companies claim will help people set up successful online businesses. But manyconsumers who paid thousands of dollars said they were not ableto use the software and did not get the help they were promised. Cooper won a consent judgment with the Utah companies in August of 2008. A year later, a judge found the companies in contempt and ordered them to pay consumer refunds but the defendants appealed. Under an agreement worked out by Cooper's office in March 2010, North Carolina consumers who paid Storesonline and Imergent have gotten $1.3 million of their money back." (see Press Release)	$1,300,000
		Total	**$ 16,255,026.00**

Brenda Burns #T-20737A-10-0144

From: Lloyd D. Rickenbach [lloyd@rickenbachlaw.com]
Sent: Wednesday, November 30, 2011 5:21 PM
To: Janice Alward; Ernest Johnson; Steven Olea; Gary Pierce; Brenda Burns
Cc: lsteinhart@telecomcounsel.com; jarred@invictuspc.com
Subject: Crexendo Letter - Reference Documents to Other Litigation
Attachments: 2004 06 21 - Maine - ConsentAgreement (second).pdf; Legal Proceedings where SOL acknowledges TN settlement - Pages from imergent Form 10-kt 2009.pdf; 2006 09 13-California v SOL - FinalJudgment.pdf; 2009 08 13 - NC v SOL - Judge enters default bc didnt pay refunds (already paid $445k).pdf; 2008 08 26 - Florida v SOL - settlement agreement ($375k).pdf; 2004 09 14 - StoresOnline maine pay $14k.pdf; 2003 06 16 - SOL banned from Maine.pdf; 2008 01 18 - FL v StoresOnlineComplaint.pdf; 2008 07 02 - Illinois v SOL - SOL pays $405k.pdf; 2009 Washington v SOL - pays $175k ConsentDecreeStoresOnline2009-08-05.pdf; 2008 05 28 - Oregon v SOL - pays $63k.pdf; 2008 05 19 - Wisconsin v SOL - pay $50k.pdf; 2008 04 01 - SOL and Connecticut - pays $65k.pdf; 2010 05 06 - Australia Federal Court declares StoresOnline misled consumers (pay costs).pdf; 2007 02 08 - Lousiana - SOL pays $75k.pdf; 2007 09 19 - Imergent settles class action ($2.7 million and 500k for att fees).pdf; Indiana ($30).pdf; 2006 09 01 - SOL Stipulated Final Judgment and Permanent Injunction (CA pay $550,000).pdf; Firms that preyed on seniors settle suit for $850,000 _ Ventura County Star.pdf; Hird v. Imergent - opinion and order January 6, 2011.pdf; In Re Hill - Order - Tennesee Settlement private civil suit v Storesonline.pdf; NBC Dateline Exposes Galaxy Mall - January 13, 2002.pdf; 200538 _f01c_Firestone.pdf; 2005 Texas - AG's Complaint - original petition.pdf; 2004 09 14 - StoresOnline maine pay $14k - second violation second $14k.pdf; 2011 11 30 - Letter to AZ Commission re Crexendo Application.pdf

To Whom It May Concern:

Please find attached a copy of the letter sent to the Arizona Commision re Crexendo's Application and the December 1, 2011 hearing thereon. Also attached are supporting documents for reference.

Thank you.

Lloyd D. Rickenbach
Attorney at Law

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, MAINE 04333

IN THE MATTER OF:	)	CONSENT AGREEMENT
	)	04-084-CAG
StoresOnline, Inc.	)	

THIS AGREEMENT is entered into between the State of Maine Securities Administrator ("Securities Administrator") and StoresOnline, Inc., a Delaware corporation with its offices in Orem, Utah.

WHEREAS, the parties agree as follows:

1. On June 24, 2003, the Securities Administrator and StoresOnline, Inc., entered into a Consent Agreement, which, among other things, prohibited StoresOnline, Inc., from selling, offering to sell, advertising or undertaking any other action relating to the promotion of services, products, equipment, supplies, goods or commodities in Maine unless certain conditions were met.

2. The Office of Securities has determined that StoresOnline, Inc., offered for sale and sold a business opportunity in or about June and July 2003 to a Wells, Maine, consumer.

3. The Office of Securities has determined that StoresOnline, Inc., was not registered as a business opportunity seller when it offered and sold a business opportunity to the Wells, Maine, consumer and therefore was not in compliance with the Regulations of the Sale of Business Opportunities, 32 M.R.S.A. §§ 4691 - 4700-B (1999 and Supp. 2002) (the "Regulations").

4. The Office of Securities has determined that StoresOnline, Inc., had not secured a bond or escrow account as required by the Regulations, 32 M.R.S.A. § 4695 (1999) when it offered and sold a business opportunity to the Wells, Maine, consumer.

5. The Office of Securities has determined that StoresOnline, Inc., did not provide the Wells, Maine, consumer with the disclosure statement required by the Regulations, 32 M.R.S.A. § 4693 (1999).

6. It is the position of the Office of Securities that StoresOnline, Inc., breached paragraph 1 of the Consent Agreement dated June 24, 2003, in selling, offering to sell, or undertaking any other act in Maine relating to the promotion of products or services that were substantially similar to those sold by StoresOnline, Inc., in Maine in 2001 and 2002 without first registering pursuant to the Regulations and otherwise complying therewith.

7. StoresOnline, Inc., neither admits nor denies the above determinations.

8. All parties desire an expeditious resolution of this matter.

NOW THEREFORE, without trial or adjudication of any issue of fact or law and without any admission or finding that StoreOnline, Inc., has violated the Regulations or breached the Consent Agreement dated June 24, 2003, it is agreed that:

1. Within 30 days after execution of this Consent Agreement by StoresOnline, Inc., StoresOnline, Inc., shall fully refund all funds received from the Wells, Maine, consumer, totaling $14,693.00, plus interest at the statutory prejudgment rate of 4.28% from February 1, 2004, to the date of this Consent Agreement, and shall provide the Office of Securities with written proof thereof.

2. All of StoresOnline, Inc.'s obligations set forth in the Consent Agreement dated June 24, 2003, continue to be binding and none of the provisions set forth herein shall be construed or interpreted in such a way as to negate, diminish or abridge StoresOnline Inc.'s obligations under the Consent Agreement dated June 24, 2003.

6. This Consent Agreement does not address compliance or non-compliance with the Regulations or the Consent Agreement dated June 24, 2003, other than as specified herein.

June 24, 2004
Date

/s/ Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

June 21, 2004
Date

/s/ Brandon Lewis
Brandon Lewis
President
StoresOnline, Inc.

We have incurred operating losses.

We sustained operating losses in prior years. Our ability to sustain profitability and positive cash flows from operating activities will depend on factors including, but not limited to, our ability to (i) reduce costs, (ii) improve sales and marketing efficiencies, (iii) respond to the current economic slowdown, (iv) reach more highly qualified prospects, and (v) achieve operational improvements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease and sub-lease office and training facilities totaling approximately 80,000 square feet from unaffiliated third parties. Our corporate office and Crexendo Network Services division are located at 10201 South 51st Street, Phoenix, Arizona 85044 and our StoresOnline, Inc. and Crexendo Business Solutions office is located at 1303 North Research Way, Orem, Utah 84097. The lease for our StoresOnline, Inc. and Crexendo Business Solutions office terminates on September 30, 2013 and the lease for our training facility located in Salt Lake City, Utah terminates on July 31, 2013. Our lease for the corporate and Crexendo Network Services office terminates on April 30, 2010. The annual rent expense for all of our office space and training facilities will be approximately $1,412,000 for the fiscal year ending December 31, 2010. We maintain tenant fire and casualty insurance on our assets located in these buildings in an amount that we deem adequate. We also rent, on a daily basis, hotel conference rooms and facilities from time to time in various cities throughout the United States, Canada and other countries at which we host our Preview Training Sessions and Internet Training Workshops. We are under no long-term obligations related to the hotel facilities.

ITEM 3. LEGAL PROCEEDINGS

On October 9, 2007, the Federal Court of Australia New South Wales District Registry (the Court) set a hearing on a request for an injunction by the Australian Competition and Consumer Commission (ACCC). The ACCC sought a temporary injunction barring the Company from conducting business in Australia until such time as a permanent injunction is entered which would require certain actions on the part of the Company. The ACCC has alleged that the Company failed to comply with the terms of a previous agreement by: (i) failing to have notified the ACCC of seminars which were being held in Australia; (ii) failing to provide copies of tapes of seminars to the ACCC which were requested; (iii) failing to notify purchasers of the three-day cooling-off period (right to rescind); and (iv) failing to provide certain disclosures relating to the software, which were enumerated in the previous agreement. The ACCC also alleged that the prior sales offer used by the Company in its Workshops, whereby the Company compared the price of the software package sold at the Workshop to a list price available to attendees for 90 days (the "90 day offer") was deceptive. The Company admitted that it did not notify the ACCC, in a timely manner, of seminars which were previously held due to the failure of a former employee of the Company. Additionally, the Company also admitted that it was not able to provide one of several tapes requested by the ACCC. The Company disputed that it had failed to notify customers of the cooling-off period or to provide the specified disclosures. The Company also disputed that the 90 day offer was deceptive. The Court found that the Company did breach some of the terms of the previous agreement regarding the notification and the tapes. The Court also was not certain if all disclosures regarding the software were made in the terms required by the previous agreement. The Court declined to enter an injunction which barred the Company from conducting business in Australia. Consequently, the Company was not required to cancel any scheduled workshops, and has continued to transact sales in Australia. The Court did require certain disclosures on the part of the Company and required compliance with the previous agreement. The Court indicated failure to follow the Court's requirements could be deemed contempt. On December 1, 2009, the parties agreed to a settlement which made permanent the temporary Orders. The Company agreed to reimburse purchasers for any claims they may make with the ACCC and pay costs and fees to the ACCC up to December 1, 2009. The Company has agreed to a total payment of $823,000 which has been paid to accomplish the refunds and reimbursement of costs and fees. The Court has taken the matter of the 90 day offer under advisement. Regardless of the judgment by the Court, the Company is not liable for any further customer refunds in this action. There may be an award of fees for actions undertaken by the ACCC after December 1, 2009, but that amount (if any) should be minimal as the Court indicated it would make its ruling based on the written record.

On August 4, 2008, the Company and the State of North Carolina agreed to a Consent Judgment ("North Carolina Judgment"). The North Carolina Judgment was a consequence of a preliminary injunction order (the "Order") entered in the State of North Carolina. The Order required that the Company not market or sell in the State of North Carolina. In the North Carolina Judgment, the Company agreed to pay fees totaling $90,000. The Company also agreed that it would refund any customers in the State of North Carolina who filed claims within 60 days of entry of the North Carolina Judgment. The claim had to include a declaration issued under penalty of perjury that the customer had been unable to activate a website and get it fully operational. The State of North Carolina also notified certain customers of the right to the refund. As a result of the North Carolina Judgment, the injunction issued under the Order was lifted and the Company was permitted to immediately schedule seminars in the State of North Carolina. There was no finding that the Company is a seller of a "Business Opportunity." The Company also agreed to certain actions intended to clarify the business practices of the Company. The North Carolina Judgment does not otherwise limit the Company's ability to conduct business in the State of North Carolina. The Company received a substantial number of claims which included an untrue (according to the records of the Company) declaration under penalty of perjury that the customer attempted to activate a website and also attempted to contact customer service. The Company notified the State of North Carolina that it did not believe it was obligated to pay claims made under penalty of perjury which were not factually accurate. On August 10, 2009, the North Carolina Court entered an Order requiring the Company to pay all claims filed, the North Carolina Court ruling that the filing of the declaration was determinative not the truth of the statement made under penalty of perjury. The Company has filed a notice of appeal of the August 10, 2009 order. The Company also may file actions against those who filed false declarations. The Company has reserved the amounts paid by customers who filed the false claims. On January 29, 2010, the Company and the North Carolina Attorney General agreed to resolve the issue of the disputed claims. The Company has agreed to allow reimbursements of the disputed claims of approximately $900,000. The Attorney General is waiving any right to fees and costs as well as interest they claim owed to the people who filed claims. The parties are awaiting the Court dismissing the action based on the settlement.

On October 24, 2005, the Company announced it had been notified by the Securities and Exchange Commission (SEC) that it had issued a formal order of investigation related to the Company. Prior to the order, the Company had announced a change of the independent registered public accounting firm for the Company. The Company also issued a Form 8-K with notification of Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review. The Company has fully cooperated with the SEC in this matter and has had no communication with the SEC related to this matter since 2006.

On January 13, 2010, the Court of Shelby County, Tennessee For The 30th Judicial District at Memphis entered a final Order approving settlement in a consumer class action lawsuit. The settlement stems from a 2008 arbitration action known as Lyle Hill, on behalf of himself and all others similarly situated, v. iMergent, et.al. which claimed the Company through its StoresOnline division engaged in deceptive sales practices and sold defective software. The approved settlement is on a "claims made" basis and requires supporting documentation with the claim. The settlement resolves all claims of purchasers who do not choose to opt out of the class action settlement, which includes purchasers prior to January 1, 2009.

Under the terms of the settlement purchasers who can establish they activated their software, spent a minimum of 23 hours working with the software including working with customer service but could not develop a web site may be entitled to a refund of up to $1,254. All other customers will be entitled to compensation which includes either the development of a website(s) or discounts on the development of websites. The settlement has been funded in part from the Company E&O policy and in part from reserves made in previous quarters.

In addition to the foregoing proceedings, from time to time the Company receives inquiries from federal, state, city and local government officials in the various jurisdictions in which the Company operates. These inquiries and investigations generally concern compliance with various city, county, state and/or federal regulations involving sales, representations made, customer service, refund policies, and marketing practices. The Company responds to these inquiries and has generally been successful in addressing the concerns of these persons and entities, without a formal complaint or charge being made, although there is often no formal closing of the inquiry or investigation. There can be no assurance that the ultimate resolution of these or other inquiries and investigations will not have a material adverse effect on the Company's business or operations, or that a formal complaint will not be initiated. The Company also receives complaints and inquiries in the ordinary course of its business from both customers and governmental and non-governmental bodies on behalf of customers, and in some cases these customer complaints have risen to the level of litigation. There can be no assurance that the ultimate resolution of these matters will not have a material adverse affect on the Company's business or results of operations.

The Company has recorded a liability of approximately $1,079,000, $2,182,000 and $1,460,000 as of December 31, 2009, June 30, 2009 and June 30, 2008, respectively, for estimated losses resulting from various legal proceedings against the Company. Attorney fees associated with the various legal proceedings are expensed as incurred. Other key estimates are discussed elsewhere in the notes to the consolidated financial statements.

The Company also is subject to various claims and legal proceedings covering matters that arise in the ordinary course of business. The Company believes that the resolution of these other cases will not have a material adverse effect on its business, financial position, or results of operations.

SUPERIOR COURT OF CALIFORNIA, COUNTY OF VENTURA

THE PEOPLE OF THE STATE OF CALIFORNIA

Plaintiff,

v.

IMERGENT, INC., a Delaware corporation; STORESONLINE, INC., a Delaware corporation; and GALAXY MALL, INC., a Wyoming corporation;

Defendants.

Case No. CIV 243317

STIPULATED FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff, the People of the State of California, appearing through its attorneys, Bill Lockyer, Attorney General of the State of California, by Laurie R. Pearlman, Supervising Deputy Attorney General and Gregory D. Totten, District Attorney of Ventura County, by Mitchell F. Disney, Senior Deputy District Attorney (hereinafter collectively "the People"), and Defendants IMERGENT, INC., a Delaware corporation ("IMERGENT"), STORESONLINE, INC., a Delaware corporation ("STORESONLINE"), and GALAXY MALL, INC., a Wyoming corporation ("GALAXY"), (collectively "Defendants"), all appearing through their attorneys Greenberg Traurig, LLP, by Alan R. Maler, Esq., having stipulated and consented to this Stipulated Final Judgment and Permanent Injunction ("Final Judgment") prior to the taking of any proof and without trial or adjudication of any issue of law or fact and without this Final Judgment constituting evidence of or an admission by the Defendants regarding any issue of law

or fact alleged in the Complaint and having stipulated that this Final Judgment, including its attachments, fully and completely contains all of the agreements between the parties, that there are no other agreements and that it supercedes any and all prior written or oral agreements and negotiations between the parties; and

The parties having waived their rights of appeal and having approved this Final Judgment as to form and content:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. This Court has jurisdiction over the subject matter of this lawsuit and over the parties hereto.

2. This Final Judgment is applicable to the Defendants IMERGENT, STORESONLINE, and GALAXY, and is applicable to their partners, agents, employees, representatives, assignees, and successors in interest who have actual or constructive notice of its provisions, and to all persons, corporations, and other entities who have actual or constructive notice of its provisions and act in concert or participation with them or any of them (collectively "Enjoined Persons").

PERMANENT INJUNCTION

3. Pursuant to Business and Professions Code sections 17203 and 17535, Enjoined Persons are hereby permanently enjoined and restrained from engaging in any of the following acts or omissions in the State of California:

a. Violating Civil Code section 1812.203(a), by selling, leasing, or offering to sell or lease a seller-assisted marketing plan as defined in Civil Code section 1812.201 ("a SAMP") without having timely filed with the Attorney General a copy of the disclosure statements required pursuant to Civil Code sections 1812.205 and 1812.206, as well as a list of the names and residence addresses of those individuals who sell the seller-assisted marketing plan and without having received from the attorney General the Notice of Filing which deems the filing effective;

b. Violating Civil Code section 1812.204(d), by selling, leasing, or offering to sell or lease a SAMP, by representing that the SAMP provides income or earning potential,

without having data to substantiate the claims of income or earning potential, and without disclosing this data to a purchaser at the time the claim is made, if made in person, or if made through written or telephonic communication, at the first in-person communication thereafter and, when disclosed, the data is left;

c. Violating Civil Code section 1812.205, by selling, leasing, or offering to sell or lease a SAMP without providing to the prospective purchaser a written document containing all disclosures required by section 1812.205 at the time of the first in-person communication with a potential purchaser, or in the first written response to an inquiry by a potential purchaser wherein the seller-assisted marketing plan is described, whichever occurs first, and when disclosed, the data is left with the purchaser;

d. Violating Civil Code section 1812.206, by selling, leasing, or offering to sell or lease a SAMP without providing to the potential purchaser a written "seller-assisted marketing plan information sheet" that complies with the requirements of section 1812.206 at least 48 hours prior to execution of a SAMP contract or agreement or at least 48 hours prior to receipt of any consideration;

e. Violating Civil Code section 1812.209, by utilizing a contract for the sale or lease of a SAMP that does not comply with the requirements of section 1812.209;

f. Violating Civil Code section 1812.217, by employing, directly or indirectly, any device, scheme or artifice to deceive in connection with the offer or sale of any SAMP, or willfully engaging, directly or indirectly, in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in connection with the offer, purchase, lease or sale of any SAMP;

g. Offering or entering into any "home solicitation contract" as defined in Civil Code section 1689.5 ("a HSC") that does not contain in immediate proximity to the space reserved for the buyer's signature the conspicuous statement of the buyer's right to cancel in a size equal to at least 10-point type, as required by Civil Code section 1689.7(a)(1).

h. Offering or entering into any HSC that is not accompanied by a completed "notice of cancellation" form, as required by Civil Code section 1689.7(c), and which

further provides that, in addition to the methods of notification expressly authorized in section 1689.7(c), the buyer may give notice of cancellation by e-mail or facsimile transmission, and which clearly and conspicuously sets forth an email address and fax number for receipt of such notice.

i. Offering or entering into any HSC and failing, at the time the HSC is executed, to orally inform the buyer of the buyer's right to cancel, as required by Civil Code section 1689.7(f);

j. Offering or entering into any HSC without complying with all of the requirements of Civil Code section 1689.7;

k. Failing to tender to the buyer any payments, or any note or other evidence of indebtedness received from the buyer, within ten (10) days after cancellation of a HSC, as required by Civil Code sections 1689.10 and 1689.7(g);

l. Offering or entering into any HSC containing any statement or provision purporting to cause the purchaser to waive his or her rights under Civil Code sections 1689.5 to 1689.11, in violation of Civil Code section 1689.12;

m. Presenting or offering, on behalf of any third party, an HSC that does not comply with all of the provisions of Civil Code section 1689.7, regardless of whether Defendants are a party to the HSC.

n. Offering or entering into any "seminar sales solicitation contract" ("a SSSC"), as defined in Civil Code section 1689.24, that does not contain in immediate proximity to the space reserved for the buyer's signature the conspicuous statement of the buyer's right to cancel in a size equal to at least 10-point type, as required by Civil Code section 1689.21(a);

o. Offering or entering into any SSSC that is not accompanied by a completed "notice of cancellation" form, as required by Civil Code section 1689.21(c), and which further provides that, in addition to the methods of notification expressly authorized in section 1689.21(c), the buyer may give notice of cancellation by e-mail or facsimile transmission, and which clearly and conspicuously sets forth an email address and fax number for receipt of such notice.

p. Offering or entering into any SSSC and failing, at the time the SSSC or offer is executed, to orally inform the buyer of the buyer's right to cancel, as required by Civil Code section 1689.21(d);

q. Offering or entering into any SSSC without complying with all of the requirements of Civil Code section 1689.21;

r. Failing to tender to the buyer any payments, or any note or other evidence of indebtedness received from the buyer, within ten (10) days after cancellation of a SSSC, as required by Civil Code sections 1689.22 and 1689.21(e);

s. Offering or entering into any SSSC containing any statement or provision that contradicts the buyer's right to cancel under the SSSC Law, or that directly or indirectly states the sale is final, non-cancelable, or non-refundable; and

t. Presenting or offering, on behalf of any third party, an SSSC that does not comply with all of the provisions of Civil Code section 1689.21, regardless of whether Defendants are a party to the SSSC.

u. For purposes of this injunction, the term "written notice of cancellation to the seller at the address specified in the agreement or offer" as used in California Civil Code sections 1689.6 (b) and 1689.20(b), shall include:

i. Written notice by hand delivery to the address specified in the agreement or offer. Notice of cancellation, if provided by hand-delivery, is effective when delivered to the address specified in the agreement or offer.

ii. Written notice by mail to the address specified in the agreement or offer. Notice of cancellation, if provided by mail, shall be effective when deposited in the mail properly addressed with postage prepaid.

iii. Written notice by e-mail to the e-mail address specified in the agreement or offer. Notice of cancellation, if given by e-mail, is effective when the e-mail is electronically transferred, properly addressed.

iv. Written notice by facsimile transmission to the facsimile number specified in the agreement or offer. Notice of cancellation, if given by facsimile transmission, is effective when the facsimile is transmitted, properly addressed.

COMPLIANCE-MONITORING, RECORD-KEEPING AND REVIEW

4. a. For the three (3) year period following the entry of this Final Judgment: Enjoined Persons shall prepare and maintain an audio recording of each preview seminar and workshop seminar conducted within the State of California (the "Recordings"). The Recordings may include video. Each Recording shall be labeled so as to identify the date, time, speaker(s) and location of the event, and shall be maintained for a period of twelve (12) months from the date of preparation. The Recordings shall be made available upon request of any representative of the California Attorney General's Office or District Attorney's Office for the County of Ventura.

b. i. For the two (2) year period following the entry of this Final Judgment, at least once a month, a Vice President of Defendants shall review at least one of every speaker's ("Speaker") preview seminar and workshop seminar presentations in the State of California, either by being in attendance during the entire presentation being reviewed or by reviewing one of the Recordings of such presentation. When the review is by in-person attendance, the speaker shall not have advance notice that the Vice President will be in attendance.

ii. The reviewing Vice President shall maintain a record of his or her review ("Review Verification"). The Review Verification shall be organized so as to permit searching by event location, date and speakers, and shall note whether any action was taken following the review to correct or prevent possible noncompliance with this Final Judgment or applicable law. The Review Verifications shall be maintained for a period of three (3) years. The Review Verifications themselves shall not be deemed proof of a violation of this Final Judgment. The Review Verifications shall be made available for inspection and

copying within ten (10) calendar days of receipt of a written request by any representative of the California Attorney General's Office or District Attorney's Office for the County of Ventura.

5. For the three (3) year period following the entry of this Final Judgment, and beginning within ten (10) days of the date of entry of this Final Judgment: The Defendants shall cause all corporate officers (regardless of public contact) to review a conformed copy of this Final Judgment. The Defendants shall also provide a conformed copy of the Final Judgment to all new officers within three (3) days of election. Defendants shall obtain from each such person a signed and dated acknowledgment of review of a conformed copy of the Final Judgment ("Acknowledgment") indicating legibly the name, address and position or title of that individual and the date signed. Defendants shall maintain such documents for a minimum of three (3) years from the date of their creation and make them available within ten (10) calendar days of receipt of a written request for inspection and copying upon written request of any representative of the California Attorney General's Office or District Attorney's Office for the County of Ventura.

6. For the three (3) year period following the entry of this Final Judgment:

a. Defendants shall maintain, and set forth on all sales contracts, an e-mail address, 24/7 online chat room moderated at all times by an employee or independent contractor, a facsimile transmission number, and a customer-service telephone number designated as being for general customer questions and comments during regular business hours, and staff the telephone number with a live operator during regular business hours and with a voice-message system for after-hours receipt of calls.

b. *Calls Requesting Cancellation Received by Live Operator.* If a customer calls within their cancellation period, the customer service telephone number and speaks with a live operator and expresses a desire to cancel or inquires regarding cancellation, the operator shall advise the customer that the customer may give notice of cancellation by e-mail or facsimile transmission, and shall advise the customer of Defendants' email address and fax number for receipt of such notice, and shall also advise the customer of the methods of

cancellation authorized in the written contract, that the customer only has three (3) days from the signing of the contract within which to cancel and that the customer should see their contract for the last date by which the customer must cancel.

c. *Calls Requesting Cancellation Received by Voice Mail.* Defendants' voice-message system shall be monitored to review calls received, at least once prior to 10:00 a.m., and at least once after 3:00 p.m:, each business day. If a customer calls the customer service telephone number and leaves a message on the voice-message system that identifies the customer, the customer's telephone number, and expresses a desire to cancel or inquires regarding cancellation, within their cancellation period, upon receipt of the message, Defendants shall promptly call the customer and advise the customer that the customer may give notice of cancellation by e-mail or facsimile transmission, and shall advise the customer of Defendants' email address and fax number for receipt of such notice, and shall also advise the customer of the methods of cancellation authorized in the written contract, that the customer only has three (3) days from the signing of the contract within which to cancel and that the customer should see their contract for the last date by which the customer must cancel.

d. *Chat Line Requests for Cancellation.* If a customer enters a chat room and expresses a desire to cancel or inquires regarding cancellation, within their cancellation period, the operator shall advise the customer that the customer may give notice of cancellation by e-mail or facsimile transmission, and shall advise the customer of Defendants' email address and fax number for receipt of such notice, and shall also advise the customer of the methods of cancellation authorized in the written contract, that the customer only has three (3) days from the signing of the contract within which to cancel and that the customer should see their contract for the last date by which the customer must cancel.

e. In responding to inquiries regarding cancellation, the responding party shall not actively discourage the inquirer from exercising his or her right to cancel.

f. Except as expressly provided in this Final Judgment, nothing herein shall modify the methods of cancellation provided by law, and nothing herein shall extend the time in which a customer may cancel the contract as provided by law.

g. Defendants shall create and maintain reasonable and customary business records of its communications with persons who express a desire to cancel or inquire regarding cancellation, and persons who claim that their agreement to purchase was procured by any misrepresentation or nondisclosure of fact. Such records shall include, to the extent practicable, at least the following:

1) The customer's name, address and telephone number;

2) The nature of the inquiry, request or claim, as well as the date the call was received, the date and location of the seminar, sales presentation or other event or act from which the inquiry, request or claim arises, and the name(s) of any individual(s) implicated or referenced by the customer; and

3) The response made to the inquiry, request or claim, and any action taken by Defendants in response to the complaint.

Defendants shall maintain these records for a minimum of three (3) years from the date of their creation and shall make them available for inspection and copying within ten (10) calendar days of receipt of a written request by any representative of the California Attorney General's Office or District Attorney's Office for the County of Ventura.

7. For the three (3) year period following the entry of this Final Judgment:

a. Defendants shall provide to Plaintiff at least fourteen (14) days advance notice of the date, time and location and, if known, the names of all planned speakers, of each in-person preview seminar and at least ten (10) days advance notice of the date, time and location, and the names of all planned speakers, of each in-person workshop seminar to prospective new customers to be conducted within the State of California and as soon as known by Defendants. In those cases where a preview seminar or workshop seminar is not scheduled sufficiently in advance to comply with said time periods, then Defendants shall provide such notices as soon as practicable, but in no case less than seven (7) days before the preview seminar and not less than three (3) days before the workshop seminar.

b. Defendants shall provide Plaintiff a single copy sample of each different mail and electronic mail solicitation which they send to an address in California. Such

solicitations shall be sent to Plaintiff no later than ten (10) days after they are first sent to a California address. Defendants shall send such solicitations to Plaintiff at the following addresses:

Gayle S. Weller
Associate Government Program Analyst
California Attorney General's Office
110 West A Street, Suite 1100
San Diego, CA 92101

and

Mitchell F. Disney
Senior Deputy District Attorney
Consumer and Environmental Protection Unit
5720 Ralston Avenue, Suite 300
Ventura, CA 93003
Tel: (805) 662-1706
Fax: (805) 662-1770

CANCELLATION OF CONTRACTS AND RESTITUTION

8. Pursuant to Business and Professions Code sections 17203 and 17535, Defendants shall take all of the actions as set forth below:

a. KNOWN CLAIMANTS: Each customer who attended a sales presentation, preview seminar or workshop seminar conducted by Defendants in California, and who purchased any product(s) and/or service(s) from Defendants, and who has made a request for cancellation that has been received by the District Attorney of Ventura County or the Attorney General of the State of California prior to the entry of this Final Judgment, or who signed a release containing a provision purporting to assess liquidated damages upon reporting Defendants to a consumer protection agency, all of whom are listed on Attachment "A" to this Final Judgment, are referred to in this paragraph 8.a. as the "Known Claimants". Within thirty (30) days after receipt from the People of a properly completed and timely Executed Claim Form by a Known Claimant, and regardless of the original date of purchase, Defendants shall:

1) Cancel all outstanding contractual obligations owed by the Known Claimants (and by any guarantor or co-signor) to Defendants, without obligation to return any product or license to Defendants;

2) Take reasonable commercial steps to identify the third-party financing entity and pay off and/or buy back the financing agreement such that the Known Claimant's payment obligations to the third party are fully satisfied, if a purchase by a Known Claimant was financed by a third party, or if it was initially financed by a Defendant and assigned to a third party;

3) Take reasonable commercial steps to determine whether any account of any Known Claimant has been turned over to a collection agency. For each such Known Claimant whose account has been turned over to a collection agency, Defendants shall notify the collection agency that the customer's obligation has been fully satisfied and ensure that all collection efforts are discontinued;

4) Take reasonable commercial steps to determine, as allowed by the Fair Credit Reporting Act or other similar applicable law, whether a derogatory report to a credit-reporting bureau has been made by Defendants, any third-party financing entity or any collection agency, about any Known Claimant; and in the event a derogatory statement exists, Defendants shall take reasonable commercial steps, as allowed by the Fair Credit Reporting Act or other similar applicable law, to request the credit bureaus to update the reporting for each Known Claimant's account to reflect its satisfied status;

5) Promptly provide a written notification to each Known Claimant upon completion of each action specified in subparagraphs 1) through 4), inclusive, of this paragraph 8.a.; and

6) Submit a written report to the District Attorney of Ventura County or the Attorney General of the State of California confirming the timely completion of the obligations set forth above, that includes the name and contact information for each such customer and the steps taken by Defendants to comply with the requirements of subparagraphs 1) through 5), inclusive, of this paragraph 8.a., within ninety (90) days of the date of entry of this Judgment.

Each Known Claimant shall be entitled to participate in the restitution as set forth in paragraph 10, below.

b. VENTURA SEMINAR CUSTOMERS: The People's attorneys shall provide to each person who attended a workshop seminar conducted by Defendants in Ventura County on either December 5 or 6, 2003, and who purchased any product(s) and/or service(s) from Defendants, all of whom are listed on Attachment "B" to this Final Judgment (the "Ventura Seminar Customers"), a claim form, by regular U.S. Mail ("Claim Form"), which shall offer the Ventura Seminar Customer an opportunity to cancel contracts with Defendants, and any financing company if applicable, arising from the purchase of any product(s) and/or service(s) marketed, offered or sold by Defendants, and to participate in restitution for payments made pursuant to those contracts, as more specifically set forth in paragraph 10 of this Final Judgment. Each Ventura Seminar Customer who has not previously resolved his or her claim against Defendants and who timely returns to the People a signed and dated Claim Form ("Executed Claim Form") postmarked within sixty (60) days from the initial date of mailing ("Claimant") shall be entitled to relief as provided in subparagraphs 1) through 4), inclusive, of this paragraph 8.b. and shall be entitled to participate in the restitution as set forth in paragraph 10, below. At ninety (90) days from the initial date of mailing of the Claim Forms ("Closure Date"), no further Claim Forms may be considered eligible for relief as provided herein. Within thirty (30) days after receipt of a properly completed and timely Executed Claim Form from the People ("Verified Claimant"), and regardless of the date of original purchase, Defendants shall:

1) Cancel all contractual obligations owed by all Verified Claimants (and by any guarantor or co-signor) to Defendants, without obligation to return any product or license to Defendants;

2) Take reasonable commercial steps to identify the third-party financing entity and shall pay off and/or buy back the financing agreement such that the Verified Claimant's payment obligations to the third party are fully satisfied, if the Verified Claimant's purchase was financed by a third party, or if it was initially financed by a Defendant and assigned to a third party;

3) Take reasonable commercial steps to determine whether any accounts of a Verified Claimant have been turned over to a collection agency. For each Verified

Claimant whose account has been turned over to a collection agency, Defendants shall notify the collection agency that the customer's obligation has been fully satisfied and ensure that all collection efforts are discontinued;

4) Take reasonable commercial steps to determine, as allowed by the Fair Credit Reporting Act or other similar applicable law, whether a derogatory report to a credit-reporting bureau has been made by Defendants, any third-party financing entity or any collection agency about any Claimant; and in the event a derogatory statement exists, Defendants shall take reasonable commercial steps, as allowed by the Fair Credit Reporting Act or other similar applicable law, to request the credit bureaus to update the reporting for each Verified Claimant's account to reflect its satisfied status.

5) Promptly provide a written notification to each Verified Claimant upon completion of each action specified in subparagraphs 1) through 4), inclusive, of this paragraph 8.b.; and

6) Submit a written report to the District Attorney of Ventura County or the Attorney General of the State of California confirming the timely completion of the obligations set forth above that includes the name and contact information for each such customer and the steps taken by Defendants to comply with the requirements of subparagraphs 1) through 5), inclusive, of this paragraph 8.b., within one hundred fifty (150) days of the date of entry of this Judgment.

c. POST-JUDGMENT CLAIMANTS: For each person who makes a written (including e-mailed) request for refund, cancellation, rescission or restitution ("Request") that is received by the People, from a purchaser who attended a workshop seminar in California, within ninety (90) days from the date of entry of this Final Judgment and verified to the satisfaction of the District Attorney of Ventura County or the Attorney General of the State of California, and who timely submits to the People a properly completed Executed Claim Form ("Verified Post Judgment Claimants"), the People shall provide notice ("Notice") to Defendants identifying the Verified Post Judgment Claimants. Within thirty (30) days of receipt of the Notice, Defendants shall:

1) Rescind and cancel all contractual obligations owed by Verified Post-Judgment Claimants (and by any guarantor or co-signor) to Defendants, without obligation to return any product or license to Defendants;

2) Take reasonable commercial steps to identify the third-party financing entity and shall pay off and/or buy back the financing agreement such that the Verified Post-Judgment Claimant's payment obligations to the third party are fully satisfied, if the Verified Post-Judgment Claimant's purchase was financed by a third party, or if it was initially financed by a Defendant and assigned to a third party;

3) Take reasonable commercial steps to determine whether any account of a Verified Post-Judgment Claimant has been turned over to a collection agency. For each Verified Post-Judgment Claimant whose account has been turned over to a collection agency, Defendants shall notify the collection agency that the customer's obligation has been fully satisfied and ensure that all collection efforts are discontinued;

4) Take reasonable commercial steps to determine, as allowed by the Fair Credit Reporting Act or other similar applicable law, whether a derogatory report to a credit-reporting bureau has been made by Defendants, any third-party financing entity or any collection agency, about any Verified Post-Judgment Claimant, and in the event a derogatory statement exists, Defendants shall take reasonable commercial steps, as allowed by the Fair Credit Reporting Act or other similar applicable law, to request the credit bureaus to update the reporting for each Verified Post-Judgment Claimant's account to reflect its satisfied status;

5) Promptly provide a written notification to each Verified Post-Judgment Claimant upon completion of each action specified in subparagraphs 1) through 4), inclusive, of this paragraph 8.c.; and

6) Submit a written report to the District Attorney of Ventura County or the Attorney General of the State of California confirming the timely completion of the obligations set forth above that includes the name and contact information for each such customer and the steps taken by Defendants to comply with the requirements of subparagraphs

1) through 5), inclusive, of this paragraph 8.c. within ninety (90) days of the date of receipt of the Notice.

Each Verified Post-Judgment Claimant shall be entitled to participate in the restitution as set forth in paragraph 10, below.

d. In order to become a Claimant under subparagraphs a, b, or c, of this paragraph 8, the customer will need to sign a Claim Form provided by Plaintiff to eligible customers, which releases any and all restitutionary claims such customer may have against Defendants, and each of them, based upon the contract(s) signed by the customer.

e. For purposes of verifying a claimant's claim, the notification provided to the claimant by the plaintiffs shall include a request for information which shall include at least the following items: claimant's name and current address; and, such information as is available to the claimant regarding: (1) the total dollar amount of the contract with Defendants; (2) the amount actually paid to Defendants by cash, check or credit card; (3) the remaining balance, if any, on any contract with Defendants; and (4) who has made attempts and when attempts have been made to collect on any outstanding balance on the contract with Defendants. The information collected will be provided to Defendants so that they may carry out their responsibilities under Paragraph 8 hereof, and shall not be used by Defendants for any other purpose.

f. If, despite the efforts of Defendants to comply with the provisions of subparagraphs 8.a.(2), (3) and (4), subparagraphs 8.b.(2), (3) and (4), and subparagraphs 8.c.(2), (3) and (4), a claimant notifies Plaintiffs' attorneys that Defendants efforts pursuant to said subparagraphs were not satisfactory, then Plaintiff's attorneys shall notify the Defendants who shall take further reasonable commercial steps as specified in said subparagraphs. In so advising the Defendants, Plaintiff's attorneys shall make reasonable efforts to provide Defendants with information (if known), including the name of the collection or credit reporting agency, name of a contact person, phone number, address and account number.

9. Compliance with the provisions of Paragraph 8 of this Final Judgment shall relieve Defendants of all obligations of Defendants to perform under any contract cancelled pursuant to such provisions.

ECONOMIC PAYMENT

10. On or before the date of entry of this Final Judgment, Defendants shall pay the sum of Five Hundred and Fifty Thousand Dollars ($550,000) pursuant to Business and Professions Code sections 17203 and 17535 as well as 17206 and 17536, as specified below. Payment shall be by cashier's check made payable to "Ventura County District Attorney" and delivered to the attorneys for the People, who shall deposit these funds in a non-interest-bearing account and allocate and distribute the funds as follows:

a. Restitution in the amount of Three Hundred and Fifty Thousand Dollars ($350,000), to customers who have paid money pursuant to contracts entered into with Defendants for the purchase of Defendants' products and/or services, which shall be apportioned as follows:

1) One Hundred and Fifty Thousand Dollars ($150,000) to Known Claimants and Verified Post-Judgment Claimants, whose claims have been subject to reasonable verification to the satisfaction of the District Attorney of Ventura County or the Attorney General of the State of California, regarding the validity of the amounts claimed. If the cumulative value of the verified claims is equal to or less than One Hundred and Fifty Thousand Dollars ($150,000), then those having presented verified claims shall be paid 100% of the amount claimed. In the event the cumulative value of the verified claims is greater than One Hundred and Fifty Thousand Dollars ($150,000), then the funds shall be distributed on a pro rata basis to those Known Claimants and Verified Post-Judgment Claimants presenting verified claims, such that each claimant shall be paid a percentage of the amount of his or her verified claim equal to the ratio borne by the value of all claims made to the amount of available funds. Any funds remaining sixty (60) days following distribution shall be added to the Verified Claimants fund.

2) Two Hundred Thousand Dollars ($200,000) to Verified Claimants, whose claims have been subject to reasonable verification to the satisfaction of the District Attorney of Ventura County or the Attorney General of the State of California, regarding the validity of the amounts claimed. Verified Claimants presenting verified claims shall receive full restitution for the amount paid to Defendants if the cumulative amount of the verified claims is equal to or less than Two Hundred Thousand Dollars ($200,000). In the event the cumulative amount of the verified claims is greater than Two Hundred Thousand Dollars ($200,000), then the funds shall be distributed on a pro rata basis to Verified Claimants presenting verified claims, such that each Verified Claimant shall be paid a percentage of the amount of his or her verified claim equal to the ratio borne by the value of all claims made to the amount of available funds. Any funds remaining in the account 60 (sixty) days following distribution shall be paid to the Ventura County District Attorney as additional costs of investigation.

b. Costs and attorneys fees of Fifty Thousand Dollars ($50,000) to the California Attorney General's Office.

c. Costs and attorneys fees of Ninety-nine Thousand, Six Hundred and Eighty Dollars ($99,680) to the Ventura County District Attorney's Office.

d. Fifty Thousand Dollars ($50,000) to the County of Ventura, pursuant to Business and Professions Code sections 17206(c) and 17536(c).

e. Court costs of Three Hundred and Twenty Dollars ($320.00) to the Clerk of the Ventura County Superior Court, for filing fees that would have been paid or deposited by Plaintiff upon filing the Complaint, but for the exemption provided by Government Code section 6103, and which are due and payable within 45 days of collection pursuant to Government Code section 6103.5, subdivision (b).

11. Upon request made by Plaintiff's attorneys, Defendants shall cooperate with the District Attorney of Ventura County or the Attorney General of the State of California and use their best efforts to promptly furnish information to verify the claims presented referenced in

paragraph 8, including verifying the amounts paid by customers pursuant to contracts entered into with Defendants for the purchase of Defendants' products and/or services.

12. Any notices or communications required to be transmitted between the Defendants and the Plaintiff pursuant to this Final Judgment shall be provided in writing by first class mail or facsimile transmission to the parties or their successors as follows:

To the Plaintiff:

Laurie R. Pearlman
Supervising Deputy Attorney General
300 S. Spring Street, Suite 1702
Los Angeles, CA 90013
Tel: (213) 897-2610
Fax: (213) 897-4951

and

Mitchell F. Disney
Senior Deputy District Attorney
Consumer and Environmental Protection Unit
5720 Ralston Avenue, Suite 300
Ventura, CA 93003
Tel: (805) 662-1706
Fax: (805) 662-1770

To the Defendant:

William C. Walter
Vice President, Legal Affairs
754 E. Technology Ave.
Orem, UT 84097
Tel: (801) 431-4543
Fax:(801) 226-8848

with a copy to:

Claude C. Wild III
Greenberg Traurig, LLP
1200 17th Street, Suite 2400
Denver CO 80202
Tel: (303) 572-6500
Fax: (303) 720-904-7664

Any notices provided pursuant to the requirements of this Final Judgment shall be deemed given five (5) business days after mailing or one (1) business day after facsimile transmission.

13. The parties waive the right to appeal this Final Judgment both as to form and content.

14. The terms of this Final Judgment shall be governed by the laws of the State of California.

15. Jurisdiction is retained for the purpose of enabling any party to this Final Judgment to apply to the court at any time for such further orders and directions as are necessary or appropriate for carrying out this Final Judgment, for the modification of the injunctive provisions herein, for the enforcement of compliance herewith, and for punishment of violations thereof as permitted by law.

16. This Final Judgment shall take effect immediately upon entry hereof.

17. Enforcement of the injunctive terms and conditions of this Final Judgment by way of contempt shall only be by the California Attorney General's Office and/or the District Attorney for the County of Ventura.

DATED: 9-13-06

KEN W. RILEY
JUDGE OF THE SUPERIOR COURT

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